

March 16, 2018

LOCAL MARKETS

Local equities broke a critical support level ahead of upcoming market-moving events. Local fixed income yields gained some traction following the past few month's outflows, while the peso strengthened buoyed by robust overseas cash remittances.

Key Events

- ✓ **San Miguel Corporation (PSE Ticker: SMC)**'s recurring net profit in 2017 grew 11% yoy to Php54.7bn from Php49.4bn in 2016. San Miguel has been refinancing its dollar-denominated debt to temper foreign exchange losses, as the peso continues to weaken and interest rates go up. SMB's income grew 17% yoy to Php20.7bn on 17% yoy increase in revenues. GSMI's net income grew 67% yoy to Php602mn.
- ✓ **Overseas Filipino Workers' Remittances** accelerated the fastest in 10 months, growing 9.7% yoy in January 2018. Cash from sea-based remittances grew 15.3% yoy, while those from land-based OFWs grew 8.4% yoy. Major contributors to the growth of cash remittances for the month came from US, Canada, Singapore, and UAE.

Equities

- ✓ The **local equities market** broke its support level of 8,265, despite positive news on robust cash remittances. Foreign selling persisted, with market participants repositioning ahead of the FTSE rebalancing and bank SROs. The PSEi fell 1.90% to 8,190.

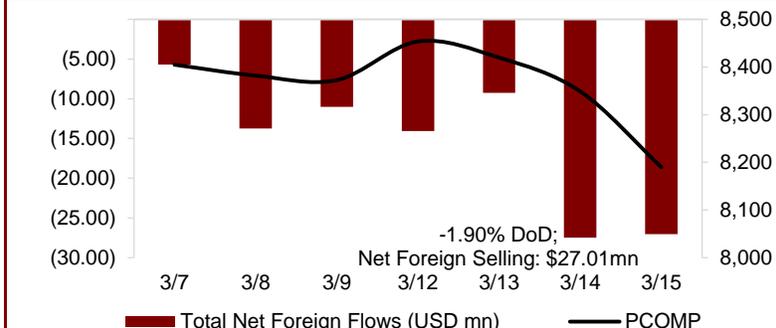
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
1 month	+0.6311	3.2021	4 years	-0.0050	5.4871
3 months	+0.0005	2.9744	5 years	-0.0032	5.5818
6 months	+0.0059	3.1107	7 years	+0.1572	7.1411
1 year	-0.1000	3.0487	10 years	-0.1747	6.3067
2 years	-0.0740	4.2848	20 years	-0.4466	6.6766
3 years	-0.1895	4.4000			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD	52.070	52.030	EUR/USD	1.2374	1.2362

PSEi Snapshot



Previous:	8,348.7	PSEi change:	-1.90%
High:	8,326.0	Best:	RLC +1.21%
Low:	8,190.0	2nd best:	AGI +0.97%
Close:	8,190.0	2nd worst:	SMPH -4.23%
Val. traded (mn):	5,384.5	Worst:	RRHI -4.76%

Fixed Income

- ✓ **Local fixed income yields** marginally fell after net foreign portfolio investments reversed the 3-month outflow streak. The BSP said that outflows amounted to \$545mn in February and attributed them to profit-taking and strong sentiment of three rate hikes in US. On average, the curve declined -1.80bps, led by the long end with fell 15.47 bps.

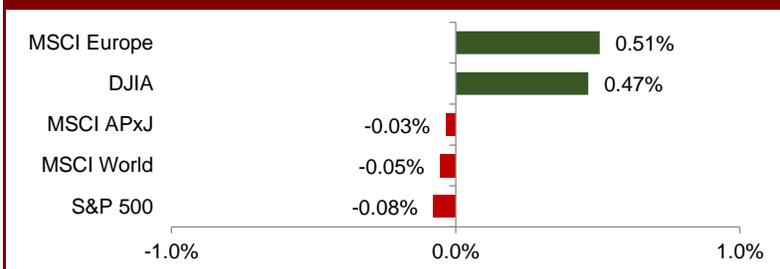
Philippine Peso

- ✓ The **Philippine Peso** strengthened against the dollar amid the stronger-than-expected growth in remittances in January at 9.7% (cons. at 5%). USD/PHP pair closed at 52.03, an effective 0.08% appreciation of the peso.

OVERSEAS MARKETS

Equities in the US and Eurozone edged upward while Asian stocks ended lower as recent Manufacturing data showed the US is still on the path of continued economic growth. US Treasury Yields and the US Dollar went up as investors look forward to next week's Fed policy decision.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0127	1.7616	5 years	+0.0152	2.6249
6 months	-0.0027	1.9372	10 years	+0.0110	2.8280
2 years	+0.0266	2.2846	30 years	+0.0016	3.0584

- ✓ **US equities** ended mixed despite trade war fears as a robust US Empire Manufacturing figure (act.: 22.5, cons.: 15.0) shows that the US is still on the path to continued economic growth. The DJIA closed at 24,873.66 (+0.47% DoD) while the S&P 500 ended at 2,747.33 (-0.08% DoD).
- ✓ **European equities** edged upward, led by the insurance and technology sectors, as investors resorted to bargain hunting after two days of decline. The MSCI Europe closed at 126.92 (+0.51% DoD).
- ✓ **Asian stocks** ended lower, as President Trump's rhetoric on imposing fresh sanctions on Chinese imports of up to \$60bn stoked fears of an impending global trade war. The MSCI APxJ ended at 588.34 (-0.03% DoD).
- ✓ **US Treasury yields** increased after briefly sinking below 2.80% as traders look forward to next week's Fed policy decision on the rate hike. On average, yields rose by 1.07 bps, with the 10-year increasing 1.1 bps to 2.828%.
- ✓ The **US Dollar** grew stronger after data showed EMI exceeded projections and jobless claims were just below estimates, confirming strength in the US economy. The DXY closed at 90.139 (+0.48% DoD).

